

# IRS News Release

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## **IRS Strengthens Withholding Compliance Program; Reduces Paperwork for Employers**

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WASHINGTON — Employers will no longer be required to send copies of potentially questionable W-4 withholding forms to the Internal Revenue Service, the IRS announced today.

At the same time, the IRS will step up its withholding compliance program by making more effective use of information reported on W-2 wage statements to ensure that employees have enough federal income tax withheld from their paychecks.

“We can eliminate this reporting requirement without hurting our enforcement efforts,” said IRS Commissioner Mark W. Everson. “Wherever we can, we try to reduce burden.”

Temporary and proposed regulations, issued today by the Treasury Department, eliminate the requirement that employers send copies of potentially questionable Forms W-4, Employee’s Withholding Allowance Certificate, to the IRS. The new regulations take effect on April 14, 2005.

In the past, employers had to send to the IRS any Form W-4 claiming more than 10 allowances or claiming complete exemption from withholding if \$200 or more in weekly wages was expected.

Forms W-4 are still subject to review by the IRS. However, employers will no longer have to submit them to the tax agency, unless directed to do so in a written notice to the employer or pursuant to specified criteria set forth in future published guidance, the IRS said.

This change follows a comprehensive review of the withholding compliance program conducted recently by the IRS, which found that withholding noncompliance remains a problem with some employees.

Subsequently, the IRS has developed a process to use information already reported on Forms W-2 to more effectively identify workers with withholding compliance problems. In some cases where a serious under-withholding problem is found to exist for a particular employee, the IRS will notify the employer to withhold income tax from that

employee at a more appropriate rate. The new process will also enable the IRS to more effectively address situations in which employees fail to file a federal income tax return.

The withholding calculator found on IRS.gov is available to help employees determine the proper amount of federal income tax withholding. Another useful resource, Publication 919, How Do I Adjust My Tax Withholding? is available on the IRS Web site or can be obtained by calling 1-800-TAX-FORM (829-3676).

The Treasury Department and the IRS welcome comments on these new regulations. Treasury Decision 9196 can be found on the IRS Web site, along with procedures for submitting comments. It will also appear in Internal Revenue Bulletin 2005-19, dated May 9, 2005.

**Links:**

- IRS Withholding Calculator —  
<http://www.irs.gov/individuals/article/0,,id=96196,00.html>
- Publication 919, How Do I Adjust My Tax Withholding? —  
<http://www.irs.gov/pub/irs-pdf/p919.pdf>